

Profiles of Tariffs in Global Agricultural Markets

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Introduction

High protection for agricultural commodities continues to be the major distorting feature of international trade. The global average agricultural tariff,¹ estimated at 62 percent, contrasts with the much lower tariffs for industrial products estimated by Hertel and Martin (see references). Not only are some agricultural tariffs extremely high, but they are also highly uneven across countries and commodities. Clearly, substantial room exists for liberalization of agricultural tariffs.

Among the most important accomplishments of the Uruguay Round Agreement on Agriculture (URAA) was the requirement to convert agricultural nontariff barriers (NTBs), such as variable import levies and import quotas, into bound tariffs. Bound tariffs are set at rates established by the General Agreement on Tariffs and Trade (GATT) negotiations. The process, known as tariffication, resulted in a tariff-based system of border protection that allowed for an initial set of tariff cuts in the URAA. Developed countries agreed to reduce all agricultural tariffs from their base period rates by a total of 36 percent, on a simple average basis, with a minimum cut of 15 percent for each tariff.² Starting in 1995, tariff cuts were to take place in equal installments over 6 years for developed countries and 10 years for developing countries. Countries were also to provide a minimum level of import opportunities for products previously protected by NTBs. This was

¹ In this report, the term “tariff” refers to the import duties that WTO members may levy on imports from other members (bound MFN tariffs based on final URAA implementation).

² Developing countries were required to reduce their tariffs on average by only 24 percent, with a minimum cut of 10 percent for each tariff. However, in the case of previously unbound tariffs or when converting NTBs to tariffs, many developing countries chose the option of offering tariff bindings with no reduction in tariff levels. Least developed countries were not required to reduce their tariffs, although they still had to replace their NTBs with tariffs and bind all tariffs.

accomplished by creating tariff-rate quotas (TRQs), which generally impose a relatively low tariff (in-quota) on imports up to a specified level, with imports above that level subject to a higher tariff (over-quota).

The high tariffs currently existing in the agricultural sector restrict trade in agricultural products and cause world prices to fall. Research conducted by the U.S. Department of Agriculture’s Economic Research Service (ERS) has shown that tariffs and associated TRQs account for the largest share of global agricultural distortions. Export subsidies and domestic farm programs are the other major distortions. When all three types of distorting policies are removed, world prices increase by 12 percent. Tariffs account for 52 percent of the increase in world prices (Burfisher et al). While reducing tariffs is a necessary part of increasing market access, other impediments to trade may also need to be addressed. For example, factors such as sanitary and phytosanitary (SPS) measures or state trading enterprises may also limit market access.

This report addresses three questions about tariffs that are relevant for future negotiations on market access.

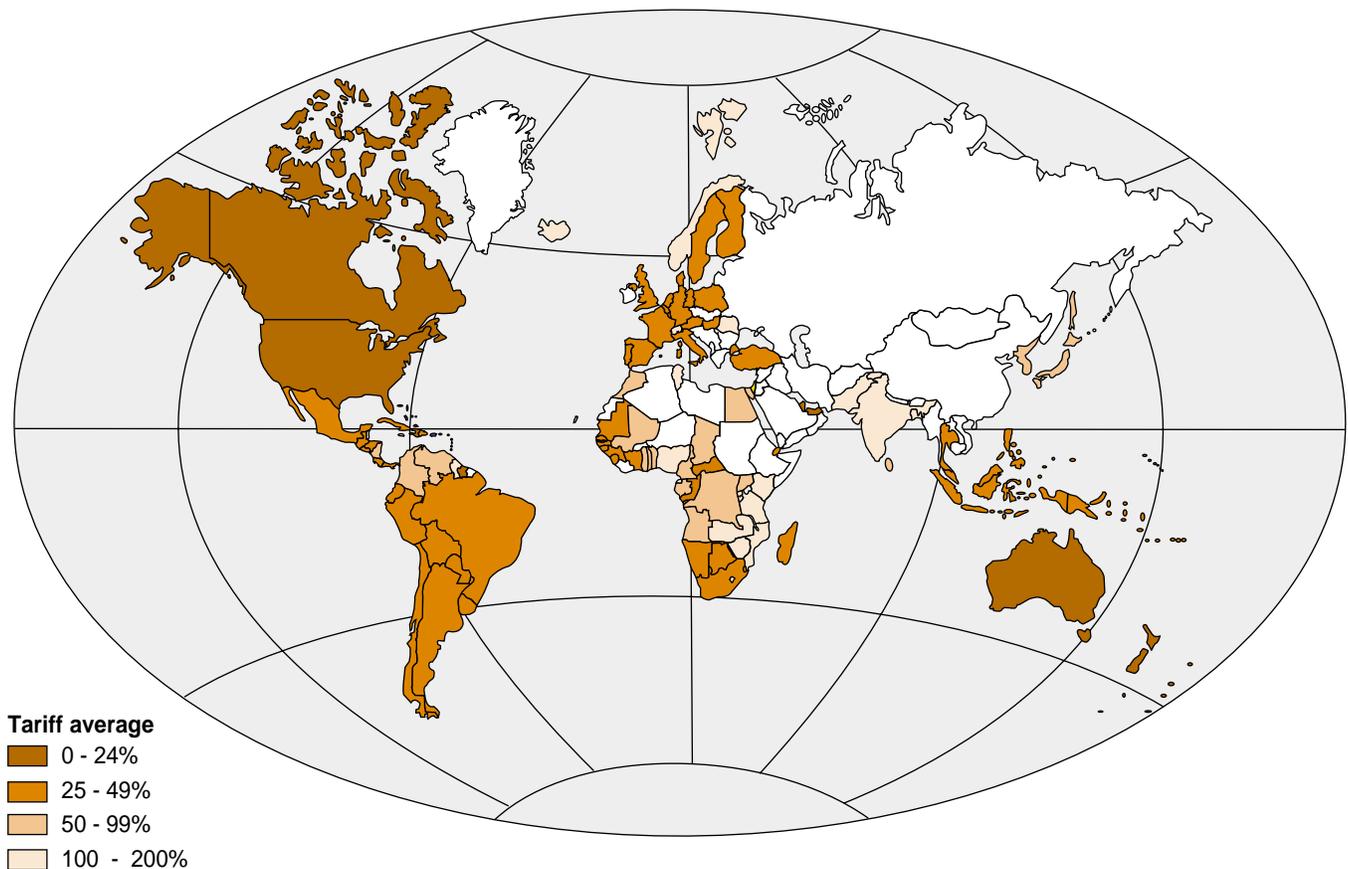
- *What is the pattern of agricultural tariffs across countries?* Distortions across countries contribute to shifts in global resources, potentially at the expense of countries with a comparative advantage in agriculture. Figure 1 shows the landscape of global tariffs. Disparities in tariffs indicate that some countries protect their agricultural sectors at the expense of other countries. Leveling the playing field across countries would help alleviate this problem.
- *How do tariffs vary across agricultural commodities?* Global average tariffs range from 50 to 91 percent for the 46 commodity groups analyzed in this report. Large distortions from high tariffs signal barriers to markets for competitive producers of specific commodities.

- What does the structure of protection say about strategies in future trade negotiations? In particular, in what countries do high tariffs exist for commodities and food products of interest to the United States?

By answering the three questions above, this report paints a picture of the current pattern of market access protection for agriculture. It begins with an economic perspective of the ways that tariffs affect markets, fol-

lowed by the methodology behind the indicators of tariff impacts, and then compares different types of tariffs. The heart of the report identifies patterns in global tariff and TRQ profiles across countries and commodities. The report then digs deeper into the structure of protection for the three major agricultural players in global markets, the United States, the European Union (EU), and Japan. An overview of protection for commodities of interest to the United States concludes the analysis.

Figure 1
Average tariffs of WTO members¹



¹Tariffs are bound MFN rates based on final URAA implementation.

Source: Economic Research Service, USDA